



Thomas A. Schweich
Missouri State Auditor

Office of State Treasurer

Year Ended
June 30, 2010



June 2011
Report No. 2011-26

<http://auditor.mo.gov>



Thomas A. Schweich
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Office of State Treasurer

Background	On January 12, 2009, Clint Zweifel was inaugurated as the forty-fifth Missouri State Treasurer. This audit report is for the year ended June 30, 2010.
	The Office of State Treasurer is an elective office as provided in the Missouri Constitution. The duties of the State Treasurer are to be the custodian of all state funds, and determine the amount of state monies not needed for current operating expenses and invest such monies as allowed by state law. The Office of State Treasurer operates in four major functional areas: 1) accounting and banking services, 2) disbursements and records, 3) investments and deposit programs and 4) unclaimed property.
Transition Specialist	After resigning his position as Deputy State Treasurer, a former employee was paid \$15,791 for two months' work as a Transition Specialist. In this temporary position, the former employee was responsible for preparing a memorandum describing the status of all current projects, being available to answer questions, and assisting in the transition of duties to other personnel. Although the former employee reported eight hours per day of work on his timesheet during this time period, minimal documentation exists to support the work performed or services provided. State Treasurer Office personnel indicated that contact with the former employee during this time consisted primarily of a few emails and approximately 2 to 3 telephone conversations per week.

In the areas audited, the overall performance of this entity was Good.*

American Recovery and Reinvestment Act 2009 (Federal Stimulus)	The Office of State Treasurer did not receive any federal stimulus monies during the audited time period.
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*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

Excellent:	The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
Good:	The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
Fair:	The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
Poor:	The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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OFFICE OF STATE TREASURER

TABLE OF CONTENTS

	<u>Page</u>
<u>FINANCIAL SECTION</u>	
State Auditor's Reports:	2-7
Independent Auditor's Report on the Financial Statements	3-5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	6-7
Management's Discussion and Analysis	8-11
Fund Financial Statements:	12-21
Treasurer's General Operations Fund:	13-14
Comparative Balance Sheet	13
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance ...	14
Treasurer's Information Fund:	15-16
Comparative Balance Sheet	15
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance ...	16
Central Check Mailing Service Revolving Fund:	17-19
Comparative Statement of Net Assets	17
Comparative Statement of Revenues, Expenses and Changes in Fund Net Assets	18
Comparative Statement of Cash Flows	19
Abandoned Fund Account Fund:	20-21
Comparative Statement of Fiduciary Net Assets	20
Comparative Statement of Changes in Fiduciary Net Assets	21
Notes to the Fund Financial Statements	22-29
Required Supplementary Information:	30-33
Budgetary Comparison Schedule - Governmental Funds	31-32
Notes to the Required Supplementary Information	33

OFFICE OF STATE TREASURER

TABLE OF CONTENTS

	<u>Page</u>
<hr/> FINANCIAL SECTION <hr/>	
Supplementary Information:	34-39
<u>Schedule</u>	
1 Comparative Statement of Appropriations and Expenditures, 2 Years Ended June 30, 2010.....	35
2 Comparative Statement of Expenditures (From Appropriations), 2 Years Ended June 30, 2010.....	36
3 Statement of Changes in General Capital Assets, Year Ended June 30, 2010	37
4 Comparative Statement of Funds in Custody of State Treasurer, 5 Years Ended June 30, 2010.....	38
5 Comparative Statement of Interest Received on Pooled Investments, 5 Years Ended June 30, 2010.....	39
Notes to the Supplementary Information	40-43
<hr/> MANAGEMENT ADVISORY REPORT SECTION <hr/>	
Management Advisory Report - State Auditor's Findings	44-46
<hr/> STATISTICAL SECTION <hr/>	
Organization and Statistical Information	48-49

FINANCIAL SECTION

State Auditor's Reports



THOMAS A. SCHWEICH

Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Honorable Clint Zweifel, State Treasurer
Jefferson City, Missouri

We have audited the accompanying financial statements of the Treasurer's General Operations Fund, Treasurer's Information Fund, Central Check Mailing Service Revolving Fund, and Abandoned Fund Account Fund of the Office of State Treasurer as of and for the years ended June 30, 2010 and 2009. These financial statements are the responsibility of the office's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1.A., the financial statements of the Office of State Treasurer are intended to present the financial position, and the changes in financial position and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Missouri that is attributable to the transactions of the Office of State Treasurer. They do not purport to, and do not, present fairly the financial position of the State of Missouri as of June 30, 2010 and 2009, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United

States of America. However, the State of Missouri issued its Comprehensive Annual Financial Report for the years ended June 30, 2010 and 2009, and those reports were prepared in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the Treasurer's General Operations Fund, Treasurer's Information Fund, Central Check Mailing Service Revolving Fund, and Abandoned Fund Account Fund of the Office of State Treasurer, as of June 30, 2010 and 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2011, on our consideration of the office's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the budgetary comparison information, as listed in the table of contents, are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements, taken as a whole, that are referred to in the first paragraph. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the office's management and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich
State Auditor

January 28, 2011

The following auditors participated in the preparation of this report:

Director of Audits:	Douglas Porting, CPA, CFE
Audit Manager:	Jeannette Eaves, CPA
In-Charge Auditor:	Robyn Vogt, M.Acct., CPA
Audit Staff:	Emily Bias
	Ashley Lee, MBA



THOMAS A. SCHWEICH

Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Clint Zweifel, State Treasurer
Jefferson City, Missouri

We have audited the financial statements of the Office of State Treasurer as of and for the years ended June 30, 2010 and 2009, and have issued our report thereon dated January 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Office of State Treasurer's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the office's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the office's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the office's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Office of State Treasurer are free of material misstatement, we performed tests of the office's compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted a certain matter which is described in the accompanying Management Advisory Report. The response of the Office of State Treasurer to the finding identified in our audit is also described in the accompanying Management Advisory Report. We did not audit the office's response, and accordingly, we express no opinion on it.

This report is intended for the information and use of the management of the Office of State Treasurer and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich
State Auditor

January 28, 2011

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the Office of the Missouri State Treasurer's (the Treasurer's Office) financial activities for the fiscal year ended June 30, 2010.

HIGHLIGHTS

- The assets of the Treasurer's Office exceeded its liabilities by \$735,681. Of the \$735,681, unreserved and unrestricted net assets total \$734,161, which may be used to meet the office's ongoing obligations.
- The office's total net assets increased by \$92,965. The increase in net assets was caused by an increase in the revenues received in fiscal year 2010 as compared to revenues from fiscal year 2009.
- As of the close of the current fiscal year, the Treasurer's Office governmental funds reported combined ending fund balances of \$697,200, an increase of \$107,512 in comparison with the prior year. The total amount is available for spending as of July 1, 2010, at the discretion of the Treasurer's Office within the purposes and limits of the office's appropriation authority.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Treasurer's Office basic financial statements comprise two components: 1) fund financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Fund Financial Statements:

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Treasurer's Office, like the State of Missouri, uses fund accounting to ensure and demonstrate compliance with statutory requirements. All of the funds of the Treasurer's Office can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for most of the basic services provided by the Treasurer's Office. Unlike the government-wide financial statements prepared by the State of Missouri, governmental fund financial statements focus on short-term inflows and outflows of current financial resources and utilize the modified accrual basis of accounting. This presentation focuses on when cash will be received and disbursed making the statements useful in evaluating a government's financing requirements in the near future.

The Treasurer's Office maintains two individual governmental funds, a general fund and a special revenue fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the State Treasurer's General Operations Fund and the State Treasurer's Information Fund.

Proprietary funds. Proprietary funds are used to account for activities similar to private businesses in which goods and services are sold for specified fees and utilize the full accrual

basis of accounting. The Treasurer's Office maintains one proprietary fund, the Central Check Mailing Service Revolving Fund. This fund is an internal service fund, used as an accounting device to accumulate and allocate costs for centralized check mailing services provided by the Treasurer's Office to other state agencies.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the state government and also utilize the full accrual basis of accounting. The Treasurer's Office maintains one fiduciary fund, the Abandoned Fund Account Fund, to account for unclaimed property turned over to the state in accordance with state statute.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information (RSI) including a budgetary comparison schedule for the Treasurer's General Operations Fund and the Treasurer's Information Fund.

FUND STATEMENT ANALYSIS

Governmental Funds:

At the end of fiscal year 2010, the Treasurer's Office governmental funds reported combined ending fund balances of \$697,200, an increase of \$107,512 from fiscal year 2009. This entire amount is available for spending at the discretion of the Treasurer's Office within the purposes and limits of the office's appropriation authority.

Fund balances for the governmental funds are as follows:

	Treasurer's General Operations Fund	Treasurer's Information Fund	Total
Unreserved	\$694,409	\$2,791	\$697,200

The Treasurer's General Operations Fund was the primary operating fund for the Treasurer's Office in fiscal year 2010. At the end of fiscal year 2010, the Treasurer's General Operations Fund reported a total fund balance of \$694,409. The net increase in fund balance during fiscal year 2010 was \$107,604. Revenues of the Treasurer's General Operations Fund totaled \$2,668,995, and expenditures of the Treasurer's General Operations Fund totaled \$2,561,391. Contributing factors follow:

- In fiscal year 2010, the Treasurer's Office revised the calculations used when depositing a portion of the state's interest earnings into the Treasurer's General Operations Fund pursuant to Section 30.605, RSMo, and subsequently increased the amount of revenues to the fund to compensate for the prior year fund balance and to more closely match the expenditure authority from the fund.

The Treasurer's Information Fund was a supplemental operating fund for the Treasurer's Office in fiscal year 2010. At the end of fiscal year 2010, the Treasurer's Information Fund reported a total fund balance of \$2,791. The net decrease in fund balance during fiscal year 2010 was \$92. Revenues of the Treasurer's Information Fund totaled \$852. Expenditures of the Treasurer's Information Fund totaled \$944 in fiscal year 2010. Contributing factors follow:

- In fiscal year 2010, the Treasurer's Information Fund collections were less than amounts spent for the preparation, reproduction, or dissemination of information or publications of the State Treasurer's Office.

Proprietary Funds:

The Treasurer's Office has one proprietary fund, the Central Check Mailing Service Revolving Fund. This fund is an internal service fund, used as an accounting device to accumulate and allocate costs for centralized check mailing services provided by the Treasurer's Office to other state agencies.

The Central Check Mailing Service Revolving Fund's net assets decreased by \$14,547. This is primarily due to a decrease in operating revenues.

NEXT YEAR'S BUDGET

The Treasurer's Office budget for fiscal year 2011 received a decrease from the appropriation levels in the fiscal year 2010 budget by one and one-fourth percent in the State Treasurer's General Operations Fund. A core reallocation of appropriations totaling \$45,069 from the Second Injury Fund was approved.

On June 29, 2009, Governor Nixon signed the Invest in Missouri legislation that reinvests \$1 billion in Missouri communities. Beginning January 1, 2010, the legislation began phasing out the statutory interest rate cap that tied state time deposits to the return of short-term U.S. Treasury securities. January 1, 2011 begins the second year of the phase-out period and financial institutions with time deposits totaling over \$5 million of state funds shall pay the state a market rate of interest on the amount on deposit exceeding \$5 million.

Fund Financial Statements

**OFFICE OF STATE TREASURER
COMPARATIVE BALANCE SHEET
TREASURER'S GENERAL OPERATIONS
FUND 0164**

		June 30,	
		2010	2009
Assets			
Cash and Cash Equivalents	\$	162,095	63,189
Investments		637,169	641,582
Invested Securities Lending Collateral		82,061	7,086
Total Assets	\$	881,325	711,857
Liabilities and Fund Balance			
Liabilities:			
Accounts Payable	\$	17,655	35,072
Accrued Payroll		42,473	39,228
Securities Lending Obligation		82,061	7,086
Due to Other Funds		44,727	43,666
Total Liabilities		186,916	125,052
Fund Balance:			
Unreserved		694,409	586,805
Total Fund Balance		694,409	586,805
Total Liabilities and Fund Balance	\$	881,325	711,857

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TREASURER'S GENERAL OPERATIONS
FUND 0164

		Year Ended June 30,	
		2010	2009
Revenues:			
Investment Earnings:			
Net Increase (Decrease) in the Fair Value of Investments	\$	(1,191)	1,177
Cost Recovery		2,669,419	2,312,237
Cost Reimbursement/Miscellaneous		767	766
Total Revenues		2,668,995	2,314,180
Expenditures:			
Current:			
General Government		2,561,391	2,539,896
Total Expenditures		2,561,391	2,539,896
Net Change in Fund Balance		107,604	(225,716)
Fund Balance - Beginning		586,805	812,521
Fund Balance - Ending	\$	694,409	586,805

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

**OFFICE OF STATE TREASURER
COMPARATIVE BALANCE SHEET
TREASURER'S INFORMATION
FUND 0255**

		June 30,	
		2010	2009
Assets			
Cash and Cash Equivalents	\$	566	261
Investments		2,225	2,651
Invested Securities Lending Collateral		287	29
Total Assets	\$	<u>3,078</u>	<u>2,941</u>
Liabilities and Fund Balance			
Liabilities:			
Accounts Payable	\$	0	29
Securities Lending Obligation		287	29
Total Liabilities		<u>287</u>	<u>58</u>
Fund Balance:			
Unreserved		<u>2,791</u>	<u>2,883</u>
Total Fund Balance		<u>2,791</u>	<u>2,883</u>
Total Liabilities and Fund Balance	\$	<u>3,078</u>	<u>2,941</u>

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TREASURER'S INFORMATION
FUND 0255

		Year Ended June 30,	
		2010	2009
Revenues:			
Investment Earnings:			
Net Increase (Decrease) in the Fair Value of Investments	\$	(6)	4
Cost Reimbursement/Miscellaneous		858	511
Total Revenues		852	515
Expenditures:			
Current:			
General Government		944	1,675
Total Expenditures		944	1,675
Excess Revenues (Expenditures)		(92)	(1,160)
Other Financing Sources (Uses):			
Transfers Out		0	(65)
Total Other Financing Sources (Uses)		0	(65)
Net Change in Fund Balance		(92)	(1,225)
Fund Balance - Beginning		2,883	4,108
Fund Balance - Ending	\$	2,791	2,883

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

**OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF NET ASSETS
CENTRAL CHECK MAILING SERVICE REVOLVING
FUND 0515**

	June 30,	
	2010	2009
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 909	1,170
Investments	3,572	11,875
Invested Securities Lending Collateral	460	131
Due from Other Funds	35,181	39,694
Non-Current Assets:		
Capital Assets:		
Equipment	25,577	25,577
Less Accumulated Depreciation	(24,057)	(22,450)
Total Capital Assets (Net of Accumulated Depreciation)	1,520	3,127
Total Assets	41,642	55,997
Liabilities		
Current Liabilities:		
Accounts Payable	244	342
Accrued Payroll	796	796
Securities Lending Obligation	460	131
Due to Other Funds	758	818
Non-Current Liabilities:		
Compensated Absences	903	882
Total Liabilities	3,161	2,969
Net Assets		
Invested in Capital Assets, Net of Related Debt	1,520	3,127
Unrestricted	36,961	49,901
Total Net Assets	\$ 38,481	53,028

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
CENTRAL CHECK MAILING SERVICE REVOLVING
FUND 0515

	Year Ended June 30,	
	2010	2009
Operating Revenues:		
Charges for Services	\$ 128,370	138,867
Total Operating Revenues	128,370	138,867
Operating Expenses:		
Personal Service	37,317	36,223
Operations	103,105	106,153
Depreciation	1,607	1,616
Total Operating Expenses	142,029	143,992
Operating Income (Loss)	(13,659)	(5,125)
Non-Operating Revenues (Expenses):		
Investment Earnings:		
Net Increase (Decrease) in the Fair Value of Investments	(48)	(8)
Total Non-Operating Revenues (Expenses)	(48)	(8)
Income (Loss) Before Transfers	(13,707)	(5,133)
Transfers Out	(840)	(1,285)
Change in Net Assets	(14,547)	(6,418)
Total Net Assets - Beginning	53,028	59,446
Total Net Assets - Ending	\$ 38,481	53,028

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

**OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF CASH FLOWS
CENTRAL CHECK MAILING SERVICE REVOLVING
FUND 0515**

	June 30,	
	2010	2009
Cash Flows from Operating Activities:		
Receipts from Customers and Users	\$ 128,370	138,867
Payments to Suppliers	(103,203)	(120,894)
Payments to Employees	(37,356)	(35,713)
Net Cash Provided (Used) by Operating Activities	<u>(12,189)</u>	<u>(17,740)</u>
Cash Flows from Non-Capital Financing Activities:		
Due to/from Other Funds	4,513	517
Transfers to/from Other Funds	(840)	(1,285)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>3,673</u>	<u>(768)</u>
Cash Flows from Investing Activities:		
Purchase of Investments	8,255	17,287
Net Cash Provided (Used) by Investing Activities	<u>8,255</u>	<u>17,287</u>
Net Increase (Decrease) in Cash	(261)	(1,221)
Cash and Cash Equivalents, Beginning of Year	1,170	2,391
Cash and Cash Equivalents, End of Year	<u><u>909</u></u>	<u><u>1,170</u></u>
Reconciliation of Operating Income (Loss) of Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	(13,659)	(5,125)
Depreciation Expense	1,607	1,616
Changes in Assets and Liabilities:		
Accounts Payable	(98)	(14,807)
Accrued Payroll	0	66
Compensated Absences	21	353
Due to Other Funds	(60)	157
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (12,189)</u></u>	<u><u>(17,740)</u></u>

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF FIDUCIARY NET ASSETS
ABANDONED FUND ACCOUNT
FUND 0863

		June 30,	
		2010	2009*
Assets			
Cash and Cash Equivalents	\$	2,439,666	401,186
Investments at Fair Value		9,589,947	4,073,418
Invested Securities Lending Collateral		1,235,083	44,990
Capital Assets:			
Equipment		84,832	95,400
Software		8,546	8,546
Less: Accumulated Depreciation		(53,215)	(38,550)
Total Capital Assets, Net		40,163	65,396
Total Assets		13,304,859	4,584,990
Liabilities			
Accounts Payable		9,524	4,381
Accrued Payroll		29,454	32,677
Securities Lending Obligation		1,235,083	44,990
Compensated Absences		35,879	37,346
Total Liabilities		1,309,940	119,394
Net Assets			
Net Assets Held in Trust for Other Purposes	\$	11,994,919	4,465,596

* Restated for Compensated Absences

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
ABANDONED FUND ACCOUNT
FUND 0863

		Year Ended June 30,	
		2010	2009*
Additions:			
Increase (Decrease) in Appreciation of Assets	\$	9,600	(497)
Unclaimed Property		43,648,410	23,069,500
Miscellaneous		34	10
Total Additions		43,658,044	23,069,013
Deductions:			
Administrative Expenses		2,428,167	3,096,982
Program Distributions		33,675,322	25,133,509
Depreciation		25,007	12,594
Total Deductions		36,128,496	28,243,085
Change in Net Assets		7,529,548	(5,174,072)
Net Assets - Beginning		4,465,596	9,639,668
Prior Period Adjustment		(225)	0
Net Assets - Ending	\$	11,994,919	4,465,596

* Restated for Compensated Absences

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

Notes to the Fund Financial Statements

OFFICE OF STATE TREASURER
NOTES TO THE FUND FINANCIAL STATEMENTS

1. Significant Accounting Policies

A. Financial Statements and Reporting Entity

The accompanying fund financial statements of the Office of State Treasurer have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The State Treasurer's Office has elected not to follow the Financial Accounting Standards Board's pronouncements issued after November 30, 1989, for proprietary activities.

The financial statements present the financial position, and the changes in financial position and where applicable, cash flows, of only the transactions of the Office of State Treasurer. They do not present the financial position of the State of Missouri as of June 30, 2010, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with GAAP. However, the State of Missouri issued a Comprehensive Annual Financial Report for the State of Missouri for the fiscal year ended June 30, 2010, in conformity with GAAP.

B. Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds.

The governmental fund financial statements are presented using the current financial resources measurement focus and modified accrual basis of accounting. With the current financial resources measurement focus, only current assets and current liabilities are included on the balance sheet. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to pay current period liabilities. Operating statements of governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance. All major sources of revenue, including taxes, licenses, fees, permits, and governmental contributions are susceptible to accrual when available within 60 days. Expenditures are recognized when the related fund liability is incurred except for compensated absences (accumulated vacation and compensatory time) and sick pay which are recorded as expenditures when paid.

The proprietary and private-purpose trust fund financial statements are presented using the economic resources measurement focus and accrual basis of accounting. With the economic resources measurement focus, assets and liabilities associated with the operation of these funds are included on the Statement of Net Assets.

Under the accrual basis of accounting, revenues are recognized in the period earned and expenses are recognized in the period incurred. Proprietary fund-type operating statements present revenues and expenses in total net assets. Operating revenues and expenses in proprietary funds are classified as those activities that make up the primary ongoing operations associated with those funds. Non-operating revenues and expenses in proprietary funds are classified as those activities that are deemed incidental or unusual for those funds.

C. Basis of Presentation

The Office of State Treasurer's financial practices are based upon fund accounting concepts. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and fund balances, and changes therein, that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The accompanying financial statements are structured into three categories of funds:

- 1) Governmental Funds include the general funds and the special revenue funds. These funds account for the revenues and expenditures, capital outlay, and certain debt service of the state. The Treasurer's General Operations Fund and the Treasurer's Information Fund are governmental funds.
- 2) Proprietary Funds include internal service funds. These funds account for the cost of certain services provided by the state. The Central Check Mailing Service Revolving Fund is a proprietary fund.
- 3) Fiduciary Funds include private-purpose trust funds. These funds account for assets held by the state in a trustee capacity or as an agent for individuals, other governments, and other funds. The Abandoned Fund Account Fund is a fiduciary fund.

D. Cash and Cash Equivalents

For reporting purposes, cash and cash equivalents include bank accounts, petty cash, and all investments with an original maturity of 3 months or less, such as repurchase agreements. Cash balances of the Treasurer's General Operations Fund, Treasurer's Information Fund, Central Check Mailing Service Revolving Fund, and Abandoned Fund Account Fund are pooled with other state funds and invested by the State Treasurer.

E. Investments

These are long-term investments with an original maturity greater than 3 months which are expected to be held to maturity and redeemed at face value. All investments are reported at fair value.

F. Interfund Receivables/Payables

The state makes various transactions between funds to distribute interest earnings, finance operations, provide services, service debt, and acquire capital assets. These receivables at June 30 are classified as "due from other funds" on the Balance Sheet and Statement of Net Assets. Payables are classified as "due to other funds" on the Balance Sheet and Statement of Net Assets. These receivables/payables are due within one year.

G. Capital Assets

Capital assets, which include equipment and software, are valued at historical cost or estimated historical cost if actual historical cost is not available. The estimate of historical cost was based on current appraised value indexed to the date of acquisition. Donated capital assets are reported at estimated fair value at the time received. Capital assets acquired through lease agreements are capitalized at the inception of the agreement.

The capitalization threshold for equipment is \$1,000 and for software is \$5,000.

Equipment and software are depreciated using the straight-line method of depreciation over a useful life of 5 years for equipment and 3 to 5 years for software.

H. Long-Term Debt

Long-term liabilities that will be financed from governmental funds are not reported on the fund financial statements since they are presented on the modified accrual basis of accounting. These long-term liabilities include the following:

Compensated absences include accumulated unpaid vacation and compensatory time accruals and related employer payroll taxes. These amounts are not accrued in the governmental funds but are recorded as expenditures when paid.

Vacation leave is accumulated at a rate of 10 to 14 hours per month depending on the number of years of employment. Accumulated vacation leave cannot exceed twice the number of vacation hours earned annually. Compensatory time is accumulated as earned by an individual employee.

Sick leave is accumulated at a rate of 10 hours per month with no limit to the amount which can be accumulated. Accumulated sick leave is not paid upon employee termination and does not represent a liability of the state.

2. Deposits, Investments and Securities Lending Program

The Office of State Treasurer maintains a cash and short-term investment pool that is used by substantially all state funds. These funds do not include accrued interest. Described below is the portfolio that represents the "Cash and Cash Equivalents" and "Investments" as reported at June 30, 2010.

A. Deposits

The state minimizes custodial credit risk by restrictions set forth in state law. Custodial credit risk is risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure, the state would not be able to recover its deposits or collateralized securities that are in the possession of the outside parties. State laws restrict the State Treasurer to deposit funds in financial institutions that are physically located in Missouri which are selected based on financial stability and community involvement. The financial institution's loan to deposit ratio must exceed 50 percent at the time of deposit and deposits must be collateralized at least 100 percent with approved securities. Deposits must have a maturity of 5 years or less and earn interest at varying rates based on state law.

B. Investments

Statutes authorize the State Treasurer to invest in U.S. Treasury or Agency securities maturing within 5 years, commercial paper and banker's acceptances maturing within 180 days, or repurchase agreements maturing within 90 days secured by U.S. Treasury or Agency securities of any maturity. There have been no violations of these investment restrictions during fiscal year 2010.

The State Treasurer minimizes credit risk, the risk of loss due to the failure of the security issuer or backer, by establishing a pre-approved list of financial institutions and companies that will be used to purchase commercial paper. The State Treasurer also conducts regular credit monitoring, pre-qualifies the financial institutions and brokers/dealers with which the State Treasurer's Office will do business for broker services and repurchase agreements, and diversifies the portfolio to reduce potential losses on individual securities.

Custodial credit risk is the risk that, in the event of failure of the counterparty to a transaction, the state will not be able to recover the value of their investment or collateral securities that are in the possession of an outside party. The State Treasurer minimizes custodial credit risk by requiring that all securities be held in the state's name at the state's custodial bank.

The state's investments include certain short-term cash equivalents, various long-term items, and restricted assets by maturity in years. The State Treasurer minimizes the risk of the market value of securities falling due to changes in interest rates by maintaining an effective duration of less than 1.5 years, and holding at least 40 percent of the portfolio's total market value in securities with a maturity of 12 months or less.

The state minimizes concentration of credit risk, the risk attributed to the magnitude of an investment in a single issuer. State statute prohibits the State Treasurer from investing more than 5 percent of the total investment portfolio into any single financial institution or issuer, excluding U.S. securities and repurchase agreements. There are no restrictions in the amount that can be invested in U.S. securities, however, there can be no more than 15 percent of the total portfolio invested in repurchase agreements with a single counterparty. During fiscal year 2010, the state did not have more than 5 percent of total investments in a single issuer.

The State Treasurer requires investments in commercial paper and bankers' acceptances to have the highest letter and numerical ranking (A1/P1) as rated by Moody's Investor Service, Inc. and Standard & Poor's Corporation. The State Treasurer does not have any additional policies regarding credit ratings of investments.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The State Treasurer's Office does not have any deposits or investments in foreign currency and therefore does not have a policy regarding foreign currency risk.

C. Securities Lending Program

The State Treasurer's Office participates in a securities lending program to augment investment income. Authority to participate rests in Section 30.260.5, RSMo. For securities which are received as collateral under a bonds borrowed program, at least 75 percent of the collateral received must match the maturities of the securities lent with a maximum duration gap between loans and investments of 15 days. The maximum life of term loans shall be 90 days.

Collateral may be in the form of cash, securities issued or guaranteed by the U.S. government or its agencies, or bank letters of credit or equivalent obligation if pre-approved by the State Treasurer's Office. Collateral must be provided in the amount of 102 percent of the then market value of the loaned securities and accrued interest, if any. The Custodian provides for full indemnification to the State Treasurer's Office for any losses that might occur in the program due to borrower default, insolvency, or failure to return loaned securities.

3. Capital Assets

Capital asset activity for the year ended June 30, 2010, was as follows:

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Governmental Activities:				
Equipment, Governmental Funds	\$ 275,151	\$ 26,588	\$ (3,819)	\$ 297,920
Software, Governmental Funds	10,446	0	0	10,446
Equipment, Proprietary Funds	25,577	0	0	25,577
Total Equipment	<u>311,174</u>	<u>26,588</u>	<u>(3,819)</u>	<u>333,943</u>
Less Accumulated Depreciation for:				
Equipment, Governmental Funds	(163,845)	(60,919)	3,819	(220,945)
Software, Governmental Funds	(1,049)	(3,481)	0	(4,530)
Equipment, Proprietary Funds	<u>(22,450)</u>	<u>(1,607)</u>	<u>0</u>	<u>(24,057)</u>
Total Accumulated Depreciation	<u>(187,344)</u>	<u>(66,007)</u>	<u>3,819</u>	<u>(249,532)</u>
Governmental Activities Capital Assets, Net	<u>\$ 123,830</u>	<u>\$ (39,419)</u>	<u>\$ 0</u>	<u>\$ 84,411</u>

4. Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2010:

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 116,463	\$ 111,785	\$ 120,192	\$ 108,056	\$ 108,056
Total Governmental Activities	<u>\$ 116,463</u>	<u>\$ 111,785</u>	<u>\$ 120,192</u>	<u>\$ 108,056</u>	<u>\$ 108,056</u>

5. Payables

A summary of accounts payable at June 30, 2010 is shown below:

	Governmental Funds	Proprietary Fund	Balance June 30, 2010
Accounts Payable:			
Vendors	\$ 17,655	\$ 244	\$ 17,899
Employees	<u>42,473</u>	<u>796</u>	<u>43,269</u>
Total Accounts Payable	\$ <u>60,128</u>	\$ <u>1,040</u>	\$ <u>61,168</u>

6. Interfund Assets and Liabilities

A summary of interfund assets and liabilities at June 30, 2010, is shown below:

<u>Due To/From Other Funds</u>			
	Treasurer's General Operations Fund	Central Check Mailing Service Revolving Fund	Totals
Due to Other Funds:			
General Government	\$ <u>44,727</u>	\$ <u>758</u>	\$ <u>45,485</u>
Totals	\$ <u>44,727</u>	\$ <u>758</u>	\$ <u>45,485</u>
Due From Other Funds:			
General Government	\$ <u>0</u>	\$ <u>35,181</u>	\$ <u>35,181</u>
Totals	\$ <u>0</u>	\$ <u>35,181</u>	\$ <u>35,181</u>

Interfund assets do not equal interfund liabilities because only funds related to the State Treasurer's Office are being presented, not all state funds.

Required Supplementary Information

**OFFICE OF STATE TREASURER
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GOVERNMENTAL FUNDS
Year Ended June 30, 2010**

	Treasurer's General Operations Fund				Treasurer's Information Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Beginning Budgetary Fund Balance	\$ 701,606	\$ 701,606	\$ 701,606	\$ 0	\$ 2,900	\$ 2,900	\$ 2,900	\$ 0
Resources (Inflows):								
Interest	2,725,000	2,725,000	2,670,186	(54,814)	0	0	0	0
Intergovernmental	0	0	0	0	8,200	8,200	858	(7,342)
Total Resources (Inflows)	<u>2,725,000</u>	<u>2,725,000</u>	<u>2,670,186</u>	<u>(54,814)</u>	<u>8,200</u>	<u>8,200</u>	<u>858</u>	<u>(7,342)</u>
Amount Available for Appropriation	<u>3,426,606</u>	<u>3,426,606</u>	<u>3,371,792</u>	<u>(54,814)</u>	<u>11,100</u>	<u>11,100</u>	<u>3,758</u>	<u>(7,342)</u>
Charges to Appropriations (Outflows):								
General Government	2,046,870	2,049,041	1,969,222	79,819	8,000	8,000	956	7,044
Transfers Out	813,250	796,132	605,279	190,853	44	42	18	24
Total Charges to Appropriations	<u>2,860,120</u>	<u>2,845,173</u>	<u>2,574,501</u>	<u>270,672</u>	<u>8,044</u>	<u>8,042</u>	<u>974</u>	<u>7,068</u>
Ending Budgetary Fund Balance	<u>\$ 566,486</u>	<u>\$ 581,433</u>	<u>\$ 797,291</u>	<u>\$ 215,858</u>	<u>\$ 3,056</u>	<u>\$ 3,058</u>	<u>\$ 2,784</u>	<u>\$ (274)</u>
Reconciling Items:								
Reclassifying Cash Equivalents as Investments			(635,196)				(2,218)	
Investments at Fair Value			637,169				2,225	
Invested Securities Lending Collateral			82,061				287	
Accounts Payable			(17,655)				0	
Accrued Payroll			(42,473)				0	
Due to Other Funds			(44,727)				0	
Securities Lending Obligation			<u>(82,061)</u>				<u>(287)</u>	
Fund Balance - GAAP Basis			<u>\$ 694,409</u>				<u>\$ 2,791</u>	

The accompanying Notes to the Required Supplementary Information are an integral part of this schedule.

**OFFICE OF STATE TREASURER
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GOVERNMENTAL FUNDS
Year Ended June 30, 2009**

	Treasurer's General Operations Fund				Treasurer's Information Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Beginning Budgetary Fund Balance	\$ 929,880	\$ 929,880	\$ 929,880	\$ 0	\$ 4,125	\$ 4,125	\$ 4,125	\$ 0
Resources (Inflows):								
Interest	2,506,692	2,506,692	2,313,003	(193,689)	0	0	0	0
Intergovernmental	0	0	0	0	8,200	8,200	511	(7,689)
Total Resources (Inflows)	<u>2,506,692</u>	<u>2,506,692</u>	<u>2,313,003</u>	<u>(193,689)</u>	<u>8,200</u>	<u>8,200</u>	<u>511</u>	<u>(7,689)</u>
Amount Available for Appropriation	<u>3,436,572</u>	<u>3,436,572</u>	<u>3,242,883</u>	<u>(193,689)</u>	<u>12,325</u>	<u>12,325</u>	<u>4,636</u>	<u>(7,689)</u>
Charges to Appropriations (Outflows):								
General Government	2,055,719	2,066,664	1,961,523	105,141	8,000	8,000	1,674	6,326
Transfers Out	693,272	696,472	579,754	116,718	80	80	62	18
Total Charges to Appropriations	<u>2,748,991</u>	<u>2,763,136</u>	<u>2,541,277</u>	<u>221,859</u>	<u>8,080</u>	<u>8,080</u>	<u>1,736</u>	<u>6,344</u>
Ending Budgetary Fund Balance	<u>\$ 687,581</u>	<u>\$ 673,436</u>	<u>\$ 701,606</u>	<u>\$ 28,170</u>	<u>\$ 4,245</u>	<u>\$ 4,245</u>	<u>\$ 2,900</u>	<u>\$ (1,345)</u>
Reconciling Items:								
Reclassifying Cash Equivalents as Investments			(638,417)				(2,639)	
Investments at Fair Value			641,582				2,651	
Invested Securities Lending Collateral			7,086				29	
Accounts Payable			(35,072)				(29)	
Accrued Payroll			(39,228)				0	
Due to Other Funds			(43,666)				0	
Securities Lending Obligation			<u>(7,086)</u>				<u>(29)</u>	
Fund Balance - GAAP Basis			<u>\$ 586,805</u>				<u>\$ 2,883</u>	

The accompanying Notes to the Required Supplementary Information are an integral part of this schedule.

OFFICE OF STATE TREASURER
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

The Budgetary Comparison Schedule in Required Supplementary Information (RSI) presents comparisons of the original and revised legally adopted budgets with actual data on a budgetary basis for the Treasurer's General Operations Fund and the Treasurer's Information Fund.

The Budgetary Comparison Schedule reports revenues and expenditures on a budgetary basis where "actual" revenues are recognized when cash is received, and "actual" expenditures are recognized for cash disbursements. The accounting principles applied for reporting on a budgetary basis differ from those used to present the financial statements in accordance with GAAP. A reconciliation of the two for the fiscal years ended June 30, 2010 and 2009, has been presented at the bottom of the Budgetary Comparison Schedule.

The "original budget" expenditures and transfers represent the amounts originally appropriated for each fund. The "final budget" expenditures and transfers include increases and decreases to appropriations during the fiscal year.

In accordance with state statute, all state funds must have an appropriation before amounts can be expended or transferred to another state fund, therefore variances between "budgeted" and "actual" expenditures and transfers on the budgetary schedule will always be positive.

Supplementary Information

Schedule 1

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,					
	2010			2009		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
GENERAL REVENUE FUND						
Issuing duplicate/outlawed checks	\$ 2,700,000	2,577,445	122,555	2,000,000	1,943,171	56,829
Refunds of excess interest from the linked deposit program	1,500	1,018	482	750	352	398
Total General Revenue Fund	2,701,500	2,578,463	123,037	2,000,750	1,943,523	57,227
TREASURER'S GENERAL OPERATIONS FUND						
Personal service	1,477,865	1,419,899	57,966	1,553,365	1,458,222	95,143
Expense and equipment	346,155	324,304	21,851	270,655	270,331	324
Unemployment benefits	10,185	10,183	2	5,845	5,845	0
Treasurer state owned building	214,836	214,836	0	236,799	227,125	9,674
Total Treasurer's General Operations Fund	2,049,041	1,969,222	79,819	2,066,664	1,961,523	105,141
TREASURER'S INFORMATION FUND						
Expense and equipment	8,000	956	7,044	8,000	1,674	6,326
Total Treasurer's Information Fund	8,000	956	7,044	8,000	1,674	6,326
CENTRAL CHECK MAILING SERVICE REVOLVING FUND						
Personal service	22,978	22,978	0	22,978	22,978	0
Expense and equipment	225,000	103,203	121,797	225,000	120,960	104,040
Total Central Check Mailing Service Revolving Fund	247,978	126,181	121,797	247,978	143,938	104,040
SECOND INJURY FUND						
Personal service	41,789	41,789	0	41,789	41,789	0
Expense and equipment	3,280	3,280	0	3,280	3,280	0
Total Second Injury Fund	45,069	45,069	0	45,069	45,069	0
ABANDONED FUND ACCOUNT FUND						
Personal service	517,401	509,579	7,822	533,401	532,084	1,317
Expense and equipment	98,600	70,721	27,879	82,600	74,231	8,369
Advertising and auctions	800,000	787,116	12,884	900,000	891,044	8,956
Payment of claims for abandoned property	34,800,000	33,675,322	1,124,678	25,500,000	25,133,509	366,491
Total Abandoned Fund Account Fund	36,216,001	35,042,738	1,173,263	27,016,001	26,630,868	385,133
Total All Funds	\$ 41,267,589	39,762,629	1,504,960	31,384,462	30,726,595	657,867

The accompanying Notes to the Supplementary Information are an integral part of this statement.

Schedule 2

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)

	Year Ended June 30,	
	2010	2009
Personal service	\$ 1,994,245	2,055,073
Travel	8,567	8,092
Expense and equipment	461,116	494,467
Communications expense	58,225	51,949
Professional services	855,170	779,917
Equipment repairs and maintenance	68,620	92,366
Equipment and software purchases	52,718	161,854
Abandoned fund claim payments	33,675,322	25,133,509
Replacement of outlawed checks	2,577,445	1,943,171
Unemployment benefits	10,183	5,845
Refunds of excess interest from the linked deposit program	1,018	352
Total Expenditures	\$ <u>39,762,629</u>	<u>30,726,595</u>

The accompanying Notes to the Supplementary Information are an integral part of this statement.

Schedule 3

OFFICE OF STATE TREASURER
STATEMENT OF CHANGES IN GENERAL CAPITAL ASSETS
YEAR ENDED JUNE 30, 2010

	Furniture and Equipment	Software	Motor Vehicles	Total General Capital Assets
Balance, June 30, 2009	\$ 856,930	18,992	16,582	892,504
Additions	26,588	0	0	26,588
Dispositions	(80,912)	0	(16,582)	(97,494)
Balance, June 30, 2010	<u>\$ 802,606</u>	<u>18,992</u>	<u>0</u>	<u>821,598</u>

Fund of Acquisition	Balance June 30, 2010
General Revenue Fund	\$ 392,184
Treasurer's General Operations Fund	306,667
Central Check Mailing Service Revolving Fund	25,577
Second Injury Fund	2,093
Abandoned Fund Account Fund	93,378
Treasurer's Information Fund	1,699
Total All Funds	<u>\$ 821,598</u>

The accompanying Notes to the Supplementary Information are an integral part of this statement.

Schedule 4

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF FUNDS IN CUSTODY OF STATE TREASURER

	June 30,				
	2010	2009	2008	2007	2006
APPROPRIATED FUNDS					
Demand Deposits:					
US Bank	\$ 36,059,240	25,073,436	3,254,861	1,260,314	200,000
Central Bank	51,456,960	62,513,574	2,906,607	(17,643,721)	(124,548,876)
Premier Bank	0	0	23,933	28,400	26,350
Commerce Bank	15,006,383	8,986,650	1,003,059	46,689	330,495
Bank of New York Midwest	50,190,689	463,418	35,371	63,555	27,739
UMB Bank	(132,951,485)	(98,153,059)	(104,051,423)	(157,866,914)	0
Collection bank accounts	1,832,381	2,910,932	3,200,125	5,100,011	4,417,807
Total Demand Deposits	21,594,168	1,794,951	(93,627,467)	(169,011,666)	(119,546,485)
Pooled Investments:					
Time deposits	589,443,027	619,916,057	794,573,654	725,919,659	550,500,850
U.S. government securities	2,473,096,949	2,138,596,968	3,060,593,602	1,881,814,564	1,332,339,487
Commercial paper and banker acceptances	0	183,069,065	255,421,715	1,083,140,450	927,024,030
Repurchase agreements	704,639,000	344,236,000	336,856,001	142,474,000	306,261,001
Total Pooled Investments	3,767,178,976	3,285,818,090	4,447,444,972	3,833,348,673	3,116,125,368
Total Demand Deposits and Pooled Investments	3,788,773,144	3,287,613,041	4,353,817,505	3,664,337,007	2,996,578,883
Special Fund Dedicated Investments:					
U.S. government securities	35,817,480	34,239,743	31,847,311	31,849,243	23,582,012
Donated corporate stock	5,130	5,130	5,130	5,130	5,130
Total Special Fund Dedicated Investments	35,822,610	34,244,873	31,852,441	31,854,373	23,587,142
Total Appropriated Funds	3,824,595,754	3,321,857,914	4,385,669,946	3,696,191,380	3,020,166,025
NONAPPROPRIATED FUNDS					
Demand deposits	12,584,187	13,198,903	13,422,723	20,328	3,880
Repurchase agreements	1,000,000	1,280,000	26,585,259	21,996,084	2,911,106
US government securities	0	0	0	4,910,938	0
Commercial paper and banker acceptances	0	0	0	24,977,950	0
Time deposits	0	1,000,000	2,500,000	50,000,000	0
Total Nonappropriated Funds	13,584,187	15,478,903	42,507,982	101,905,300	2,914,986
Total Cash and Investments	\$ 3,838,179,941	3,337,336,817	4,428,177,928	3,798,096,680	3,023,081,011

The accompanying Notes to the Supplementary Information are an integral part of this statement.

Schedule 5

OFFICE OF STATE TREASURER

COMPARATIVE STATEMENT OF INTEREST RECEIVED ON POOLED INVESTMENTS

	Year Ended June 30,				
	2010	2009	2008	2007	2006
INTEREST RECEIPTS					
General and special funds	\$ 39,599,319	97,518,011	178,680,683	146,727,651	97,587,051
Debt retirement funds	6,742,590	16,181,881	22,937,142	15,978,846	12,820,914
Total Appropriated Funds	46,341,909	113,699,892	201,617,825	162,706,497	110,407,965
Trust funds	3,730	166,375	2,678,192	4,025,495	187,649
Total Interest Receipts	\$ 46,345,639	113,866,267	204,296,017	166,731,992	110,595,614

The accompanying Notes to the Supplementary Information are an integral part of this statement.

Notes to the Supplementary Information

OFFICE OF STATE TREASURER
NOTES TO THE SUPPLEMENTARY INFORMATION

1. General Capital Assets

Capital assets, which include equipment and software, are valued at historical cost or estimated historical cost if actual historical cost is not available. The estimate of historical cost was based on current appraised value indexed to the date of acquisition. Donated capital assets are reported at estimated fair value at the time received. Capital assets acquired through lease agreements are capitalized at the inception of the agreement.

The capitalization threshold for all equipment is \$1,000 and software is \$5,000.

Equipment and software are depreciated using the straight-line method of depreciation over a useful life of 5 years for equipment and 3 to 5 years for software. Accumulated depreciation on general capital assets at June 30, 2010, was \$701,763.

2. Basis of Presentation

The amounts presented in Schedules 4 and 5 represent all funds in the state treasury and all trust funds in the custody of the State Treasurer.

State treasury funds are subject to appropriation; trust funds are not. The schedules do not include any funds or investments that are not in the custody of the State Treasurer.

3. Cash and Investments

Article IV, Section 15 of the Missouri Constitution establishes the State Treasurer as custodian of all state funds and funds received from the U.S. government. This section further authorizes the State Treasurer to place all such monies on time deposit, bearing interest, in Missouri banking institutions selected by the State Treasurer and approved by the Governor and the State Auditor, or in obligations of the U.S. government or any agency or instrumentality thereof maturing or becoming payable not more than 5 years from the date of purchase. In addition, the State Treasurer may enter into repurchase agreements maturing and becoming payable within 90 days secured by U.S. Treasury obligations or obligations of U.S. government agencies or instrumentalities of any maturity, as provided by law. The State Treasurer may also invest in banker's acceptances issued by domestic commercial banks possessing the highest rating issued by a nationally recognized rating agency and in commercial paper, issued by domestic corporations, which has received the highest rating issued by a nationally recognized rating agency. Investments in banker's acceptances and commercial paper shall mature and become payable not more than 90 days from the date of purchase, maintain the highest rating throughout the duration of the investment and meet any other requirements provided by law. The State Treasurer shall prepare, maintain, and adhere to a written investment policy which shall include an asset allocation plan limiting the total

amount of state money which may be invested in each investment category authorized by law.

Deposits

The State Treasurer maintains approximately 230 bank accounts throughout the state. These accounts include collection accounts which are demand deposit accounts for various state agencies, and the state's primary operating accounts which are also demand deposit accounts. Cash balances in the state's operating accounts which are not needed for immediate use are invested.

The State Treasurer's deposits at June 30, 2010, were entirely covered by federal depositary insurance or by collateral securities held by the custodial banks in the State Treasurer's name.

To protect the safety of state deposits, Sections 30.270 and 110.020, RSMo, require depositories to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation.

Investments

The State Treasurer's investments at June 30, 2010, are listed by type below to give an indication of the level of risk assumed by the state at year end. All investments are insured or registered, or have collateral held by the State Treasurer or a custodial bank in the state's name.

	Reported Amount	Fair Value
Time deposits	\$ 589,443,027	589,443,027
U.S. government securities	2,473,096,949	2,479,370,895
Repurchase agreements	705,639,000	705,639,000
Other investments	35,822,610	35,956,498
Total Investments	\$ 3,804,001,586	3,810,409,420

Investments are recorded at acquisition cost except "other" investments which are recorded at par. Investments in repurchase agreements are acquired at face value and earn a stated interest rate. Investments in U.S. government securities are acquired at fair value and mature at face value.

4. Demand Deposit and Collection Accounts

The demand deposits with US Bank on Schedule 4 consist of two central demand accounts at June 30, 2010, one at June 30, 2009, 2008, and 2007, and two at June 30, 2006. The demand deposits with Central Bank consist of 28 central demand accounts at June 30, 2010, 27 at June 30, 2009, 31 at June 30, 2008 and 2007, and 34 at June 30, 2006. The demand deposits

with Premier Bank consist of no central demand accounts at June 30, 2010 and 2009, and two at June 30, 2008, 2007, and 2006. The demand deposits with Commerce Bank consist of seven central demand accounts at June 30, 2010 and 2009, six at June 30, 2008, and five at June 30, 2007 and 2006. The demand deposits with Bank of New York consist of one central demand account at June 30, 2010, 2009, and 2008, and two at June 30, 2007 and 2006. The demand deposits with UMB Bank consist of five central demand accounts at June 30, 2010, 2009, 2008, and 2007. Demand deposit bank balances were \$36,059,240, \$25,073,472, \$58,220, \$17,418, and \$200,000 at June 30, 2010, 2009, 2008, 2007, and 2006, respectively, for US Bank; and \$9,661,807, \$101,388,206, \$2,638,669, \$13,586,834, and \$16,490,088, at June 30, 2010, 2009, 2008, 2007, and 2006, respectively, for Central Bank; and \$0 at June 30, 2010 and 2009, and \$24,705, \$29,362, and \$26,347 at June 30, 2008, 2007, and 2006, respectively, for Premier Bank; and \$15,083,622, \$9,081,750, \$1,136,296, \$163,448, and \$408,003 at June 30, 2010, 2009, 2008, 2007, and 2006, respectively, for Commerce Bank; and \$0 at June 30, 2010 and 2009, \$253 at June 30, 2008 and 2007, and \$0 at June 30, 2006 for Bank of New York; and \$55,312,039, \$46,778,874, \$103,883, and \$10,974 at June 30, 2010, 2009, 2008, and 2007, respectively, for UMB Bank.

The collection bank accounts on Schedule 4 consist of three master concentration accounts and their related collection accounts. The General Concentration, Conservation Concentration, and Lottery Concentration Accounts were at Central Bank at June 30, 2010, 2009, 2008, 2007, and 2006. Collection account bank balances were \$1,990,604, \$2,976,740, \$3,219,655, \$5,107,667, and \$4,448,114 at June 30, 2010, 2009, 2008, 2007, and 2006, respectively.

Banking service agreements on the central demand accounts allow the State Treasurer to invest outstanding checks up until the checks clear the bank, thereby investing an amount in excess of book balances. The negative balances at June 30 (Schedule 4) for the appropriated funds demand deposits represent the book balance net of amounts invested.

5. Special Fund Dedicated Investments

The State Treasurer is assigned the authority for recording direct investments of special funds in the accounting system. The amounts presented as special fund dedicated investments in the appropriated funds on Schedule 4 represent specific investments made or held by the State Treasurer on behalf of the Pansey Johnson-Travis Memorial State Gardens Trust Fund and the State Public School Fund. The State Treasurer is responsible for purchasing, custodial, income collection, distribution, and record-keeping duties related to the investments of these funds.

The investments of the Pansey Johnson-Travis Memorial State Gardens Trust Fund are maintained in the instruments which were transferred to the State Treasurer from the previous trustee of the fund. The investment purchases for the State Public School Fund are made in accordance with the instructions of the State Public School Fund investment committee.

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

OFFICE OF STATE TREASURER
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

Transition Specialist

The former Deputy State Treasurer resigned his position on January 19, 2010, but continued to receive the same salary and benefits through March 15, 2010, in the temporary position of Transition Specialist. Although the former employee was paid a total of \$15,791 during this time period, minimal documentation was available to support the work performed.

We discussed the position with personnel of the State Treasurer's Office (STO) and reviewed the job description developed for the new position of Transition Specialist. According to those sources, the responsibilities of this position were to prepare a memorandum describing the status of all current projects, be available to answer questions from STO staff, and assist in the transition which included the training of recently hired personnel. The former employee was no longer located in the STO offices and had no direct access to STO systems, records, or resources.

Timesheets for the period January 19 through March 15, 2010, reported 8 hours per day had been worked by the former employee. However, other than the brief project status memorandum, there is minimal documentation to support the work performed or services provided. STO personnel indicated the former employee was available for questions and contact consisted primarily of a few emails and telephone conversations occurring approximately 2 to 3 times per week between the former employee and a designated staff person.

Based on the minimal contact and the insufficient documentation, it does not appear the responsibilities of this position and the services provided justified the salary paid. A more economical option may have been to compensate the former employee using an hourly wage based on actual services provided to the STO.

WE RECOMMEND the STO ensure employees are compensated based on services performed. Compensation should be made according to time spent and actual services provided, and documentation should be maintained to support the work performed.

AUDITEE'S RESPONSE

As this audit states, the Office of State Treasurer received its second consecutive clean audit. The Auditor has found no instances of noncompliance or other matters required to be reported under Government Auditing Standards.

The Office of State Treasurer complied with every internal policy and procedure, provided every employee with job descriptions, required all employees to abide by office policies, compensated

all employees based on services performed and compensated employees based on time spent working. The transition specialist met all expectations of work performed.

Independent approval of all time sheets and compensation was performed according to office policy and the Auditor has found no fault with those policies. Reconciliation and expenditure of funds was done in complete compliance with statute, policy, procedure and Government Auditing Standards.

The Office of State Treasurer will continue to implement professional and sound human resource practices, including the best private-market practices, which may utilize telecommuting to ensure the safe, secure and accountable management of taxpayer dollars especially through periods of transition where possible conflicts of interest may easily arise.

This audit confirms the Office of State Treasurer met all constitutional duties and all duties set forth in statute exactly as prescribed.

AUDITOR'S COMMENT

The State Auditor's Office does not endorse the characterization of audit contents made by subjects of the audit.

STATISTICAL SECTION

Organization and Statistical Information

OFFICE OF STATE TREASURER ORGANIZATION AND STATISTICAL INFORMATION

The State Treasurer is an elective office as provided in the Missouri Constitution. The duties of the State Treasurer as defined by Article IV Section 15 are to be the custodian of all state funds; to determine the amount of state monies not needed for current operating expenses; and to invest such monies in interest-bearing time deposits, in Missouri banking institutions selected by the State Treasurer and approved by the Governor and State Auditor, in short-term U.S. government securities, or in certain allowable commercial paper and banker's acceptances.

The Office of State Treasurer operates in four major functional areas: 1) accounting and banking services, 2) disbursements and records, 3) investments and deposit programs, and 4) unclaimed property.

The accounting and banking services area 1) maintains a fund accounting system to fulfill a statutory responsibility to keep separate accounts of the funds of the state and to allocate investment interest to funds, 2) maintains ledger controls on fund balances and appropriations to assure that no check is issued that exceeds the lawful appropriated balances, 3) controls receipt of state monies collected by state agencies and deposited in local banks throughout the state, 4) reconciles bank activity to receipt and disbursement activity reflected on the state books, 5) determines the amount of state monies not needed for current operating expenses, and 6) confirms daily disbursements with the bank as certified by the Office of Administration.

The disbursements and records area provides processing support to other departments of the State Treasurer's Office, as follows: 1) provides retrieval of state checks, and 2) controls and processes outlawed checks and processes and verifies claims for replacement checks.

The investments area places state monies not needed for current operating expenses in interest-bearing time deposits, U.S. government and agency securities, commercial paper, banker's acceptances, and repurchase agreements. This area also administers the State Treasurer's statutory linked deposit program and monitors and accounts for the collateralization of state funds.

The Unclaimed Property Division administers Missouri's Unclaimed Property Act (Chapter 447 RSMo). The Unclaimed Property Division is responsible for 1) ensuring unclaimed property is reported, 2) receiving and recording reports of unclaimed property, 3) depositing unclaimed funds to the Abandoned Fund Account Fund, 4) maintaining custody and safekeeping of abandoned or unclaimed physical property, and 5) processing owner claims for abandoned funds or physical property.

Clint Zweifel became Missouri's forty-fifth State Treasurer when he took the oath of office on January 12, 2009. His term will expire in January 2013.

As of June 30, 2010, the office had 44 full-time positions and 3 part-time positions to assist in the accomplishment of its mission.